



European Commission
Agriculture and Rural Development

Agriculture and Enlargement



Zagreb, Croatia, 12 - 13 June 2009



FINANCIAL MANAGEMENT OF THE EUROPEAN AGRICULTURAL FUNDS



Agenda



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- Introduction (slides 3-7)
- Principles of shared financial management (slides 8-17)
- Financial management of EAGF (slides 18-22)
- Financial management of EAFRD (slides 23-29)
- Public Storage (slides 30-33)
- Budget and detailed budget nomenclature (slides 34-43)
- Payments (slides 44-46)



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Introduction



Council Regulation 1290/2005



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Regulation on the financing of the common agricultural policy (CAP)

Lays down the general principles for EU financing and introduces two funds:

- **European Agricultural Guarantee Fund (EAGF-FEAGA);**
- **European Agricultural Fund for Rural Development (EAFRD-FEADER).**

Budget of the European Community

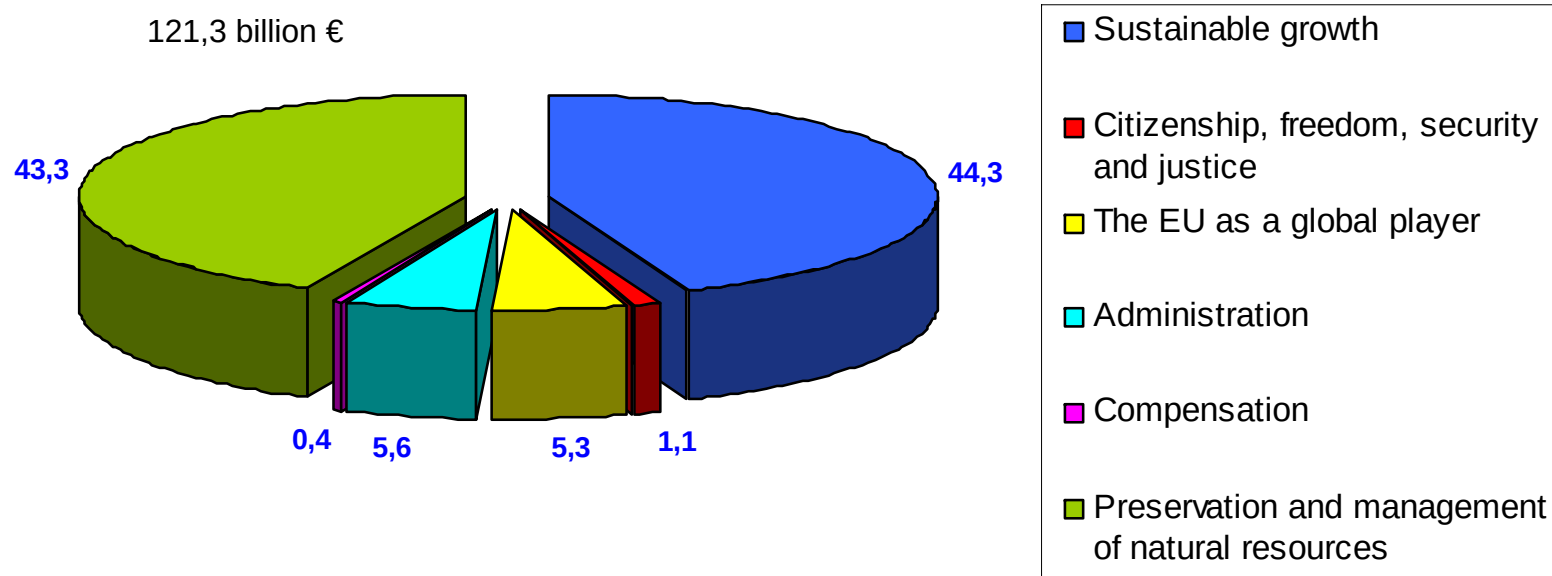


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Outturn 2007
(%)

EU budget 2007:
121,3 billion €



(Financial report 2007, page 11)



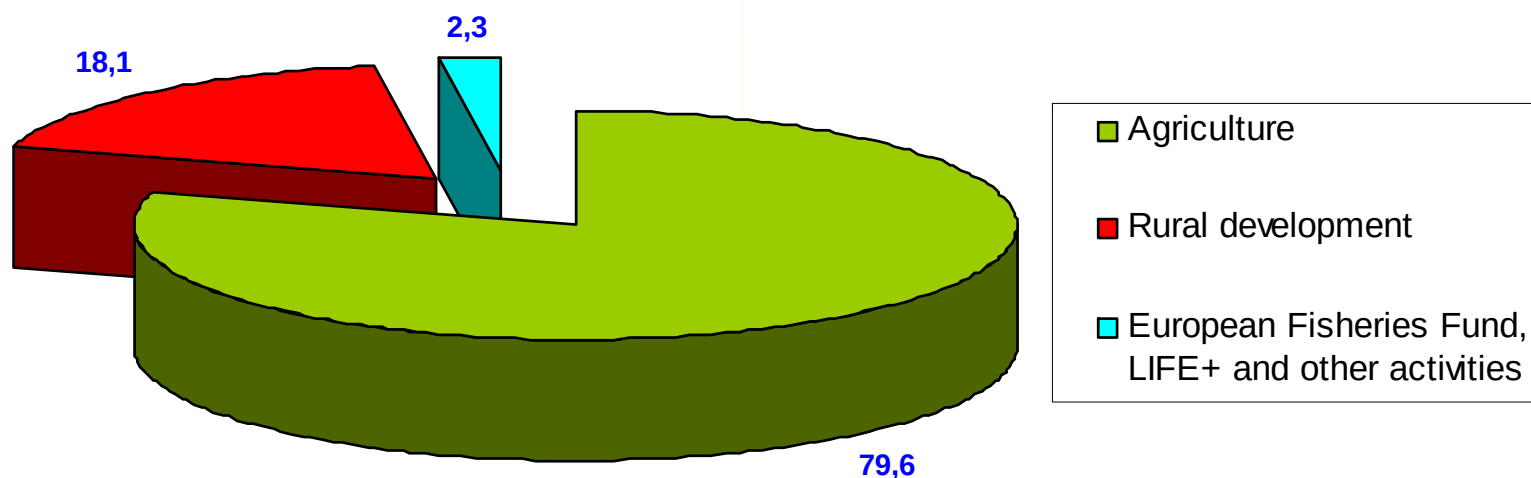
Participation of Agriculture on Preservation and management of natural resources from the Budget



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Outturn 2007 (%)

Executed commitment appropriations (2007): 52,56 billion €



(Financial report 2007, page 17)



Key Commission Regulations based on Regulation (EC) 1290/2005



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➤ **Commission Regulation (EC) No 883/2006 of 21/06/2006:**

Laying down detailed rules for the application of Council Regulation (EC) No 1290/2005 as regards the keeping of accounts by the paying agencies, declarations of expenditure and revenue and the conditions for reimbursing expenditure under EAGF and the EAFRD;

➤ **Commission Regulation (EC) No 884/2006 of 21/06/2006:**

Laying down detailed rules for applying Council Regulation (EC) No 1290/2005 as regards the financing of EAGF intervention and accounting of public storage operations by the paying agencies of the Member States;

➤ **Commission Regulation (EC) No 885/2006 of 21/06/2006:**

Laying down detailed rules for the application of Council Regulation (EC) No 1290/2005 as regards the accreditation of paying agencies and other bodies and the clearance of accounts of the EAGF and the EAFRD.



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Principles of shared financial management



WHO is responsible for
administration
of agricultural expenditure?



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- The Commission is responsible for the administration in co-operation with the Member States (=shared management):
 - EAGF: Art. 3 (1) Council Regulation (EC) No 1290/2005;
 - EAFRD: Art. 4 (1) Council Regulation (EC) No 1290/2005 (EU contribution).



What does shared management mean?



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Responsibilities of the Commission:

- Monthly (EAGF) / quarterly (EAFRD) payments (reimbursement of expenditure effected by accredited Paying Agencies);
- Ensures budgetary discipline (respect of budget appropriations, payment deadlines, financial ceilings);
- Checks management and control systems in the Member States (e.g. missions in the Member States, clearance of accounts procedure).



What does shared management mean?



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Responsibilities of the Member State (Ministerial level):

- Accredits or withdraws the accreditation of the paying agencies and -where more than one paying agency exists- of the coordinating body (Art. 6 (2-4) Council Regulation (EC) No 1290/2005);
- Defines the number of paying agencies and restricts them to the minimum necessary to ensure that the expenditure is effected under sound administrative and accounting conditions (Art. 6 (2) Council Regulation (EC) No 1290/2005);
- Informs the Commission of these decisions and the details of the paying agencies and coordinating body (Art. 8 Council Regulation (EC) No 1290/2005).



Paying Agencies



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- Ensure eligibility checks and controls;
- Make payments to beneficiaries;
- Provide guarantee for proper accounting, archives, control systems, etc.;
- Present the requisite documents within the time limits to the coordinating body or, in the absence of one, to the Commission;

(Art. 6 (1) Council Regulation (EC) No 1290/2005)

- Pursue irregularities, recover sums lost.

(Art. 9 Council Regulation (EC) No 1290/2005)



The Managing Authority (EAFRD)



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- In charge of rural development policy and definition of the Rural Development strategy and the Rural Development programme.
- Chairs the monitoring committee and ensures the participation of local, economical and social partners
- Responsible of project selection in accordance with selection criteria
- Collects information on execution, output and impact indicators
- Responsible of preparation and submission of annual reports and evaluations.



Coordinating Body



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- Acts as intermediary between the Paying Agencies and the Commission – all communication goes via the Coordinating Body;
- Disseminates Community texts and guidelines to paying agencies;
- Makes available to the Commission all necessary information;
- Promotes harmonised application of Community law;
- **Communicates all necessary information collected from the paying agencies to the Commission.**

Art. 6 (3) Council Regulation (EC) No 1290/2005

Art. 4 (1) Commission Regulation (EC) No 885/2006



Certification Body



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CERTIFICATION OF ACCOUNTS BY AN INDEPENDENT BODY

- **Audits the paying agencies' procedures;**
- **Controls the financial reports;**

**Art. 7 Council Regulation (EC) No 1290/2005,
Art. 5 Commission Regulation (EC) No
885/2006:**

- **Designated by the Member State;**
- **Private or public institution, operationally
independent of the paying agency (Art. 5 (1)
Commission Regulation (EC) No 885/2006).**



Certification Body



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Article 5 (4) Commission Regulation (EC) No 885/2006:

**Draws up a report with its findings every
year certifying:**

- **That procedures followed are according to the accreditation criteria;**
- **Accuracy, truthfulness and completeness of the annual accounts;**
- **Protection of the financial interests of the Community;**
- **That recommendations for improvement have been followed up.**



Clearance of accounts



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- Annual accounts of the Paying Agency together with a statement of assurance signed by the person in charge of the Paying Agency and a certification report drawn up by the Certification Body by 1 February of the following year:
 - Art. 8 (1) c (iii) Council Regulation (EC) No 1290/2005
 - Art. 6 and 7 (1-2) Commission Regulation (EC) No 885/2006
- All payments are subject to clearance of accounts afterwards (financial clearance of accounts and conformity clearance).



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Financial management of EAGF



WHAT is financed by the EAGF?



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Art. 3 (1) Council Regulation (EC) No 1290/2005

Shared management (MS pays the beneficiary, the Commission reimburses the MS)

- Refunds on exports to third countries;
- Intervention (storage and other measures) to stabilise the agricultural market;
- Direct payments to farmers;
- Promotion of agricultural products;
- School fruit scheme.

100% EU financing for the majority of measures

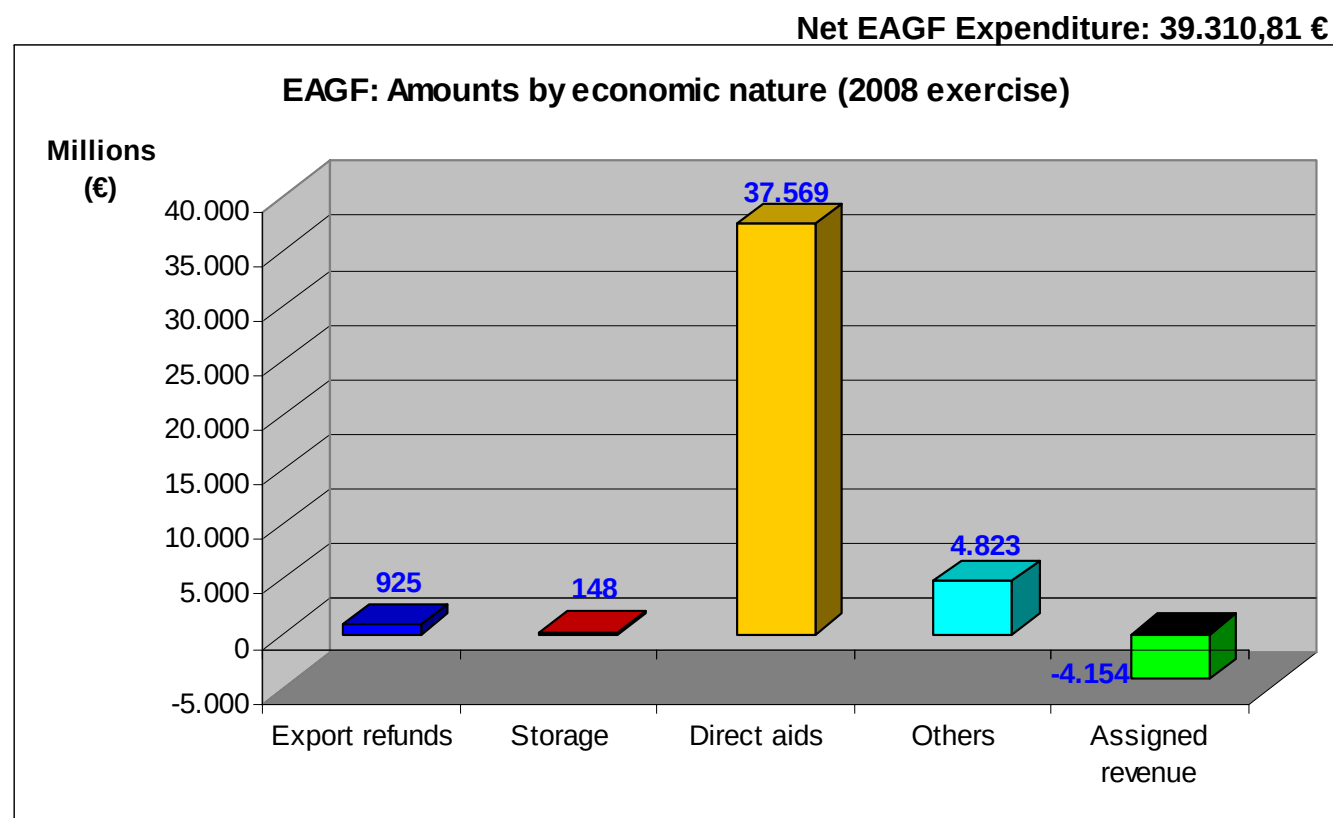


EAGF - amounts by economic nature



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Art. 1 (3) Council Regulation (EC) No 1290/2005



(Economic nature of amounts, based on decimal nomenclature, prepared by I/4)



When: EAGF calendar



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- The “financial exercise” (e.g. for 2009) covers the Member States expenditure from **16 October 2008** to **15 October 2009**,
(EAGF: Art. 5 Commission Regulation (EC) No 883/2006); (EAFRD: Art. 26 (6) Council Regulation (EC) No 1290/2005)
- The month **November** covers 46 days (16.10 – 30.11),
(Art. 15 (4) Council Regulation No 1290/2005);
- The month **October** covers only 15 days (1.10 – 15.10),
(Art. 15 (4) Council Regulation No 1290/2005);
- Monthly payments are made to the Member State on the 3rd working day of the second month following that in which the expenditure was effected (i.e. the month after declaration),
(Art. 15 (3) Council Regulation No 1290/2005);



When: Financial Flow EAGF



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M= calendar month

M: Paying agency pays beneficiary with funds mobilised by the Member State, Art.14 (2) Council Regulation (EC) No 1290/2005;

Special cash flow facility for the new Member States in the last accession:

Act of Accession, Part Four: Temporary provisions, Art. 32.

M+1: Member State sends declaration of expenditure and revenue to the Commission;

M+2 (3rd working day): Commission reimburses Member State based on the payment declaration of the Member State.



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Financial management of EAFRD



Basic principles



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- **A management system based on the experience of Sapard**
- **Similar to Structural Funds**
 - Multi-annual programming. Co financing, Partnership
 - Managing authority, monitoring Committee, evaluation
 - Differentiated commitments and payments (n+2 rule)
- **Similar to EAGF**
 - A set of predetermined axis and measures
 - Paying agencies
 - Clearance of accounts



Rural Development financial programming 2007-2013



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- One single programme by region/country including all the Rural Development measures;
- Ceilings to Community co financing by type of region (non convergence, convergence, outermost regions, voluntary modulation and special allocation to Portugal);
- Community contribution based on public expenditure and co financing rate by axis;
- 4 priority axis with compulsory minimum expending rates by axis;
- Financial Plan including a table per year for the whole programme, a table per axis for the whole period indicating the co-financing rates, and an indicative table per measure also for the whole period.

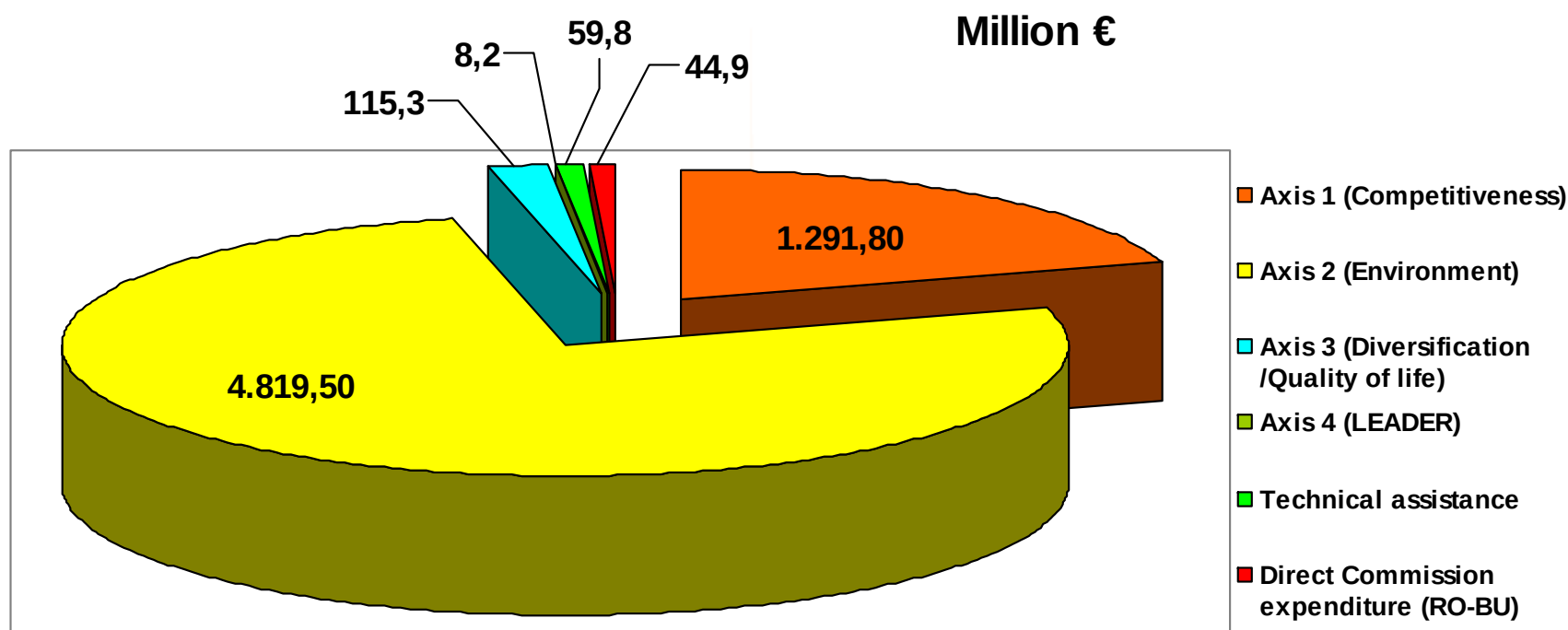


EAFRD - amounts



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Payment requests EAFRD – 2008 (Q4 2007 to Q3 2008)



Total: 6.339,5 million €



When: EAFRD calendar



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- Pre-financing after approval of Rural Development Programmes;
- Pre-financing of 7 %, split between 2 years. Property of the Member State;
- Recovered if no declaration after 2 years (N+24 rule);
- Interest on the account shall be used for actions under the programme, and cleared at closure;
- The payment on account shall be cleared at closure.

Art. 25 Council Regulation (EC) No 1290/2005.



Interim payments



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- Cover the amount of eligible public expenditure for which the Paying Agency has actually paid the Community contribution;
- The Paying Agency lays down the declaration 4 times per year following deadlines in the Regulation. Transmission via SFC2007 through the Coordinating Body;
- Payments are calculated applying to the public expenditure declared for each axis, the co-financing rate in force on the 1st day of that period;
- The Commission reimburses EU contribution within 45 days from reception

Art. 26 Council Regulation (EC) No 1290/2005.

Balance payment and closure



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- Balance payment is paid by the EU after the last annual execution report.

Art. 28 Council Regulation (EC) No 1290/2005



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Public Storage



Public intervention storage: Principles



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- Member states' intervention agencies buy, store and sell public stocks in accordance with the single common market organisation Regulation (EC) No 1234/07 for the product concerned;
- In the EU 27, public stocks currently exist in four agricultural sectors: Wine (Alcohol), Cereals (Bread making Wheat, Barley and Maize), Milk (Butter and Skimmed Milk Powder) and Sugar (White Sugar and Raw Sugar);
- The Member State is the owner of the public stocks. The EU reimburses the Member State for specified costs.



Public storage accounting: principles



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- **Commission Regulation (EC) No 884/2006 of 21/06/2006** lays down the financial rules to be respected by the Commission and by the Member States:
- Financing costs, using uniform rates of interest;
 - Technical costs, using standard amounts and sometimes actual amounts if authorised by community legislation;
 - Possible fall in product value using depreciation rates and amounts; a final loss/gain calculation is made when product is sold.



Public storage accounting: principles



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- Amounts to be reimbursed to the Member State are calculated by the monthly e-FAUDIT declarations (public storage accounts) which are made available by the Commission (DG AGRI) and filled in by the Member State's designated Paying Agency for the product concerned;



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Budget and detailed budget nomenclature



Activity Based Budgeting (ABB)



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- **The budget shall be established on the basis of Activity Based Budgeting (ABB)**
- **Financial resources are allocated to policy areas (Titles of the budget) and activities (Chapters of the budget)**
- **The ABB nomenclature is a common budget structure for planning, budgeting and management of expenditure**



Budget Nomenclature



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EAGF and EAFRD (Financial perspective 2.1) shared management (by Paying agencies and Commission) is included under budget Title 05 “Agriculture and Rural Development”



Structure of Budget Nomenclature (expenditure)



Title = policy area 05 – Agriculture and rural development

Chapter 05 03 – Direct aids

Article 05 03 01 – Decoupled direct aids

Item 05 03 01 02 – SAPS (Single Area Payment Scheme)

Detailed budget nomenclature:

Sub-item 05 03 01 02 0000 005 – Single Area Payment Scheme – new Member States – R.1782/03, Art.143b) – calendar year 2008 – BG, CZ, EE, CY, LT, LV, HU, PL, RO, SK.



Legal base



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Item 05 03 01 02 — SAPS (Single Area Payment Scheme)

Appropriations 2009	Appropriations 2008	Outturn 2007
3 789 000 000	3 065 000 000	2 082 983 454,50

■ *Remarks*

This appropriation is intended to cover expenditure under the single area payment scheme for the new Member States, in accordance with the Act of Accession and Title IVA of Regulation (EC) No 1782/2003.



Legal base



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Item 05 03 01 02 — SAPS (Single Area Payment Scheme)

Legal basis

- 2003 Act of Accession of the Czech Republic, the Republic of Estonia, the Republic of Cyprus, the Republic of Latvia, the Republic of Lithuania, the Republic of Hungary, the Republic of Malta, the Republic of Poland, the Republic of Slovenia and the Slovak Republic, and in particular Annex II thereto 'List referred to in Article 20 of the Act of Accession, point 6A(26), as adapted by Council Decision 2004/281/EC (OJ L 93, 30.3.2004, p. 1).
- 2005 Act of Accession of the Republic of Bulgaria and Romania, and in particular Annex III thereto 'List referred to in Article 19 of the Act of Accession.



Budget - assigned revenue



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Title	Chapter	Item	Activity
6	67	6701	Clearance of accounts EAGF
6	67	6702	Irregularities EAGF
6	67	6703	Superlevy from milk producers
6	68	6801	Sugar temporary restructuring amounts
6	68	6802	Irregularities – sugar restructuring fund
6	68	6803	Clearance – sugar restructuring fund



The detailed budget nomenclature for EAGF



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Sub-item:

- **Is a more detailed specification of articles and items defined in the “General Budget” (there are ca. 140 items and 2000 sub-items);**
- **Is the compulsory level of declaration of EAGF expenditure in the monthly detailed declaration table (T 104) that has to be sent from the Member States to the Commission (Reg.883/06, Art.4 2(a)).**



Why a detailed nomenclature?



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There is a need for planning, management, control and follow-up of measures by:

- **Marketing/calendar year;**
- **Product;**
- **Deadline for the payments;**
- **Financial ceiling of the expenditure.**



The detailed budget nomenclature



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Available:

in all Community languages!



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Payments

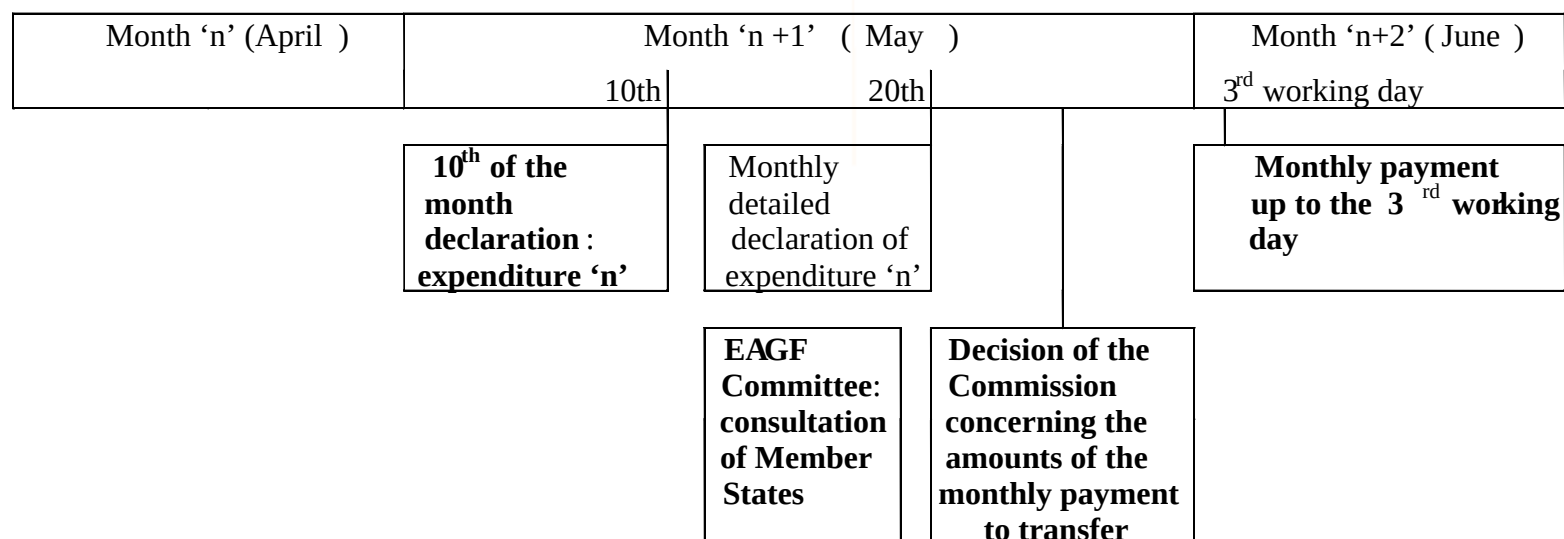


Monthly payment cycle EAGF



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Monthly payments concerning the payments made by Member states in the month 'n' (April)





Payments - EAFRD



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- **Art. 16: Commission Regulation (EC) No 883/2006**
Paying agencies: declarations of expenditure for each rural development programme.
Member States shall send them to the Commission by these deadlines:
 - (a) 30 April: for expenditure from 1 January to 31 March;
 - (b) 31 July: for expenditure from 1 April to 30 June;
 - (c) 10 November: for expenditure from 1 July to 15 October;
 - (d) 31/01(n+1): for expenditure from 16/10 to 31/12 of year n.

- **Art. 26: Commission Regulation (EC) No 1290/2005**
The Commission shall make intermediate payments for each RD Programme within 45 days of registering a correct declaration of expenditure.



THANK YOU FOR
YOUR ATTENTION!



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Susanne NIKOLAJSEN

European Commission

DG Agriculture and Rural Development

Financial Management of EAGF (I.4)